

Message Text

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ACTION EB-07

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E. O. 11652: N/A

TAGS: EAIR, MX

SUBJECT: CIVAIR: AEROMEXICO SETTLES STRIKE AND REPORTS DEFICIT

1. GOM SECRETARY OF COMMUNICATIONS AND TRANSPORTATION (SCT) EUGENIO MENDEZ DOCURRO ANNOUNCED ON NOVEMBER 7, 1975 THAT THE GOVERNMENT OWNED AIRLINE AEROMEXICO HAS RUN UP A DEFICIT OF 20 MILLION DOLLARS IN THE LAST EIGHTEEN MONTHS OF OPERATION. THIS DEFICIT WAS ACCUMULATED IN SPITE OF THE ASSUMPTION BY THE GOM OF 24 MILLION DOLLARS WORTH OF OUTSTANDING AEROMEXICO DEBTS IN JANUARY 1974.

2. MENDEZ DOCURRO LISTED THE REASONS FOR AEROMEXICO'S CONTINUING UNPROFITABLE OPERATION, AS FOLLOWS: (1) INCREASED FUEL PRICES; (2) DECREASE IN TOURISM; (3) THE WIDE DIVERSITY OF AIRPLANES IN AEROMEXICO'S FLEET; AND (4) LOSSES INCURRED BY AN AIRLINE CATERING SERVICE OWNED AND OPERATED BY AEROMEXICO.

3. ACTIONS TO BE TAKEN TO IMPROVE AEROMEXICO'S FINANCIAL CONDITION REPORTEDLY WILL INCLUDE: (1) FORMATION OF WORKING CAPITAL OF 4.8-8.0 MILLION DOLLARS TO ALLOW PROMPT PAYMENT OF DEBTS; (2) REMOVAL OF THE AIRLINE CATERING SERVICE FROM AEROMEXICO AND ITS REORGANIZATION AS AN INDEPENDENT BUSINESS; (3) A POSSIBLE INCREASE IN UNCLASSIFIED

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NATIONAL FARES; AND (4) A "RESTRUCTURING"

OF THE COMPANY (NO DETAILS GIVEN OTHER THAN THAT CONCERNING THE CATERING SERVICE).

4. MENDEZ DOCURRO EXPRESSED SATISFACTION WITH AEROMEXICO'S ADMINISTRATION, DESCRIBING IT AS "SOUND" (HE HIMSELF AS SCT SECRETARY IF CHAIRMAN OF THE BOARD). HE ALSO NOTED THAT AEROMEXICO HAD HAD TO ABANDON MANY OF ITS INTERNATIONAL ROUTES DUE TO "BRUTAL COMPETITION", BUT MANY ARE NEVERTHELESS MAINTAINED FOR THEIR ECONOMIC AND POLITICAL IMPORTANCE.

5. HE ALSO STATED THAT THE MOMENT HAS NOT ARRIVED FOR THE MERGER OF AEROMEXICO AND MEXICANA BECAUSE: (1) MEXICANA'S MAJORITY OWNERSHIP IS PRIVATE; (2) MEXICANA'S EQUIPMENT DIFFERS FROM AEROMEXICO'S; (3) WHEN ONE LINE IS NOT OPERATING, THE OTHER CAN SUPPLEMENT ITS SERVICES; AND (4) A FUSION OF THE TWO COMPANIES WOULD NOT NECESSARILY BRING ABOUT AN IMPROVEMENT IN SERVICE.

6. MENDEZ DOCURRO'S STATEMENTS WERE MADE FOLLOWING A BRIEF (22 HOUR) STRIKE AGAINST AEROMEXICO BY GROUND WORKERS AND TECHNICIANS. THE STRIKE WAS SETTLED BY GRANTING OF A 25 PERCENT WAGE INCREASE, PLUS INCREASES IN VARIOUS FRINGE BENEFITS. THE PILOTS HAD EARLIER SETTLED FOR A 15 PERCENT WAGE INCREASE, PLUS COMPANY PAYMENT OF THEIR INCOME TAXES. NEGOTIATIONS WITH THE FLIGHT ATTENDANTS UNION ARE SCHEDULED TO BEGIN NOVEMBER 24, 1975, AND IT IS ANTICIPATED THAT THEY WILL SETTLE AT 15 PERCENT ALSO. MEXICANA, WHICH WAS NOT FACED WITH A COMPLETE CONTRACT REVISION BUT ONLY WAGE DISCUSSIONS, GRANTED ITS PILOTS A 16 PERCENT INCREASE). AEROMEXICO'S NEW CONTRACT WILL COST IT AN ESTIMATED 22.4 MILLION DOLLARS/YEAR EXTRA IN WAGES.
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